

2015 Blue Cross Blue Shield Insurance Company Individual Medical Rate Change

Consumer Justification Narrative:

The most significant factors underlying our requested rate increase include: 1. Claim Cost Trends We are projecting claim cost trends for 2015 over 2014 to be 4.25%. 2. Morbidity We are projecting a 6% increase in overall market morbidity primarily related to anticipated new entrants to the single risk pool that were previously covered under MCHA (Minnesota's high risk pool). We are projecting an additional 4% increase to correct for the underestimated morbidity underlying our 2014 premium rates. 3. Reinsurance Recoveries We are projecting a 4% increase in claims as a result of the expected reduction in reinsurance recoveries due to the transitional nature of the Federal reinsurance program. 4. Taxes and Fees We are expecting a net reduction in taxes and fees which is a combination of a decrease in the reinsurance contribution rate and elimination of the MCHA assessment offset by an increase in the ACA Insurer Fee. The combined impact is a 1.85% reduction to premium rates.

Minnesota Department of Commerce Comments:

The average rate increase reflected above is the final rate increase average requested by the carrier. The carrier is the largest participant in the individual market in Minnesota (covering approximately 50% of the statewide risk pool) and was able to demonstrate the unexpected morbidity change from their new enrollees as well as the financial affect of decreased support from federal risk mitigation programs such as reinsurance, and increased taxes and fees, the need for an increase of this magnitude.